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Global Agricultural Information Network

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Indonesia

Cotton and Products Update

Indonesia Cotton and Products Update November 2018

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Report Highlights:

Driven by domestic economic growth, competitive cotton prices, and continued strong textile export demand, 2018/19 cotton imports are forecast to reach 3.55 million bales. U.S. continues to be the dominant supplier, with just over 40 percent market share.

Post:
Jakarta

Situation and Outlook

Executive Summary

Cotton use increased in 2017/18 due to price-competitiveness vis-a-vis polyester, cotton mill expansion, and higher textile export demand. Cotton imports for 2017/18 are estimated to have been 3.498 million bales, compared to 3.391 million bales in 2016/17. Driven by domestic economic growth, competitive cotton prices, and continued strong textile export demand, 2018/19 cotton imports are forecast to reach 3.55 million bales.

Textile product export volume increased from 2.21 million tons in 2016 to 2.23 million tons in 2017, while value increased from \$11.8 billion to \$12.5 billion during the same period. The United States (32.34 percent), European Union (14.97 percent), and Japan (10.08 percent) are the leading destinations for Indonesia's textile exports. Domestic demand for locally made textiles continues to decline due to competition from low cost imports. The rupiah continued to weaken during 2018, surpassing Rp 15,000/\$ in October.

Production

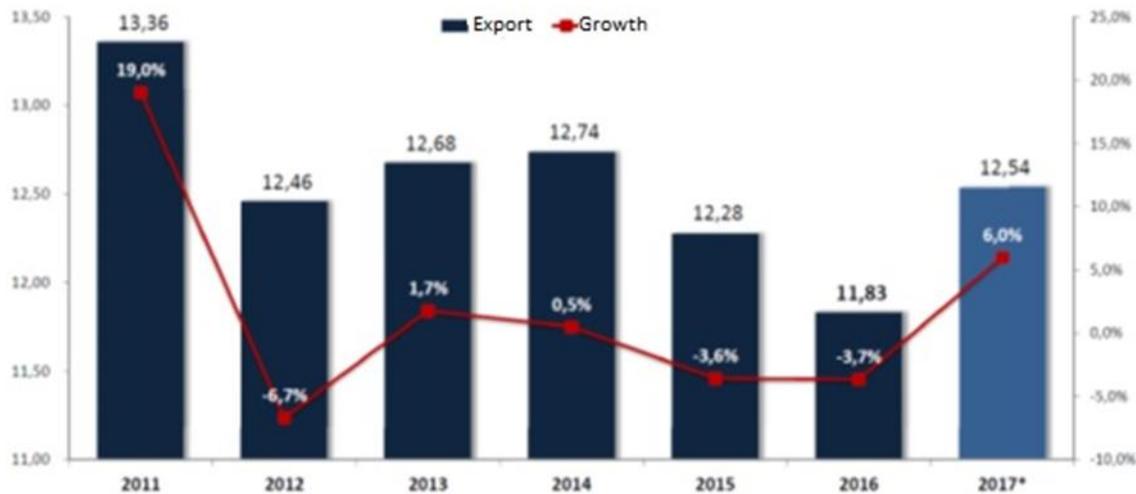
Domestic cotton production is insignificant and continues to decline.

Consumption

Cotton use is forecast to continue growing in 2018/19, driven both by textile exports and election-year demand for campaign clothes. In addition, higher prices for imported synthetic fibers relative to local cotton yarn will provide opportunities to increase cotton consumption. Furthermore, a Minister of Trade led July 2018 delegation to the United States resulted in concrete sales and a stronger commitment to increase U.S. purchases. Finally, the local industry reports that U.S.-China trade tensions has created opportunities for Indonesia's textile exports to the United States, further underpinning demand for U.S. cotton.

While the weakening rupiah relative to the U.S. dollar has driving up imported raw material costs, the currency movement has also helped exports, leading textile companies to focus even more on exports. A major buyer of cotton reports increasing exports to 60 percent of total production from 54 percent. Efforts to increase exports are also supported by several recently bilateral trade agreements, e.g. with Japan (IJ-EPA, Indonesia – Japan Economic Partnership Agreement) and China (AC-FTA, ASEAN – China Free Trade Agreement). Total textile exports are forecast to increase about 9 percent in 2018. The industry also has big expectations for the Indonesian – European Comprehensive Economic Partnership Agreement (IEU-CEPA), which is supposed to be concluded in 2019.

Chart 1. Indonesian Textile and Textile Products Exports and Growth.



Source: API

Approximately 300 spinners are operational, with 2.2 million tons of yarn production capacity per year. Spinning mills are running at about 80 percent capacity.

Trade

In line with growth in textile exports, 2018/19 cotton imports are forecast to increase to 3,550 million bales. In 2017/18, the United States was the leading cotton supplier with 42.9 percent market share, followed by Brazil (25.5 percent), and India (7.8 percent)

Stocks

Local spinners maintain inventories equaling about 2 months of needs.

Marketing

Cotton Council International (CCI) continues to educate the local industry on the advantages of using U.S. cotton. On September 12, 2018, CCI held World Cotton Day in Jakarta. The US Ambassador officially opened the event, and approximately 200 participants attended. Besides presenting new cotton innovations and technology, the event also promoted the use of the “Cotton USA” logo. Many local spinners already use the logo, and it has proven to be a strong branding tactic.

On October 25, 2018, in conjunction with Jakarta Fashion Week, CCI held a USA Cotton seminar. Two representatives from prominent integrated textile manufacturers delivered presentations on the benefits of using US cotton and the “Cotton USA” logo. Around 50 participants ranging from fashion designers, fabric manufacturers, and consumers attended the event. More spinners are expected to join “Cotton USA” programs and use more U.S. cotton as a result of CCI’s marketing endeavors.

I. Statistical Tables

TABLE 1. PSD COTTON (HS CODE 5201) IN BALES

Cotton Market Begin Year	2016/2017		2017/2018		2018/2019	
	Aug 2016		Aug 2017		Aug 2018	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	5	3	5	0	5
Area Harvested	3	3	3	3	3	3
Beginning Stocks	528	528	619	617	615	613
Production	5	5	3	3	3	3
Imports	3391	3391	3498	3498	3750	3550
MY Imports from U.S.	0	1472	0	347	0	430
Total Supply	3924	3924	4120	4118	4368	4166
Exports	5	7	5	5	5	5
Use	3300	3300	3500	3500	3650	3600
Loss	0	0	0	0	0	0
Total Dom. Cons.	3300	3300	3500	3500	3650	3600
Ending Stocks	619	617	615	613	713	561
Total Distribution	3924	3924	4120	4118	4368	4166
Stock to Use %	18.73	18.66	17.55	17.49	19.51	15.56
Yield	363	363	218	218	218	218

(1000 HA) ,1000 480 lb. Bales ,(PERCENT) ,(KG/HA)

Note: last column of each marketing year is not official USDA data.

TABLE 2. PSD COTTON (HS CODE 5201) IN MT

Cotton Market Begin Year	2016/2017		2017/2018		2018/2019	
	Aug 2016		Aug 2017		Aug 2018	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	5	3	5	0	5
Area Harvested	3	3	3	3	3	3
Beginning Stocks	114,960	114,960	134,773	134,337	133,902	133,466
Production	1,089	1,089	653	653	653	653
Imports	738,310	738,310	761,607	761,607	816,474	772,929
MY Imports from U.S.	-	320,493	-	75,551	-	93,622
Total Supply	854,358	854,358	897,033	896,597	951,029	907,048
Exports	1,089	1,524	1,089	1,089	1,089	1,089
Use	718,497	718,497	762,042	762,042	794,701	783,815
Loss	-	-	-	-	-	-
Total Dom. Cons.	718,497	718,497	762,042	762,042	794,701	783,815
Ending Stocks	134,773	134,337	133,902	133,466	155,239	122,145
Total Distribution	854,358	854,358	897,033	896,597	951,029	907,048
Stock to Use %	18.73	18.66	17.55	17.49	19.51	15.56
Yield	79,035	79,035	47,464	47,464	47,464	47,464
TS=TD	0	0	0	0	0	0

Note: Last column of each Marketing Year is not official USDA data.

TRADE MATRIXES

TABLE 3. COTTON EXPORT TRADE MATRIX (MY 2015 - 2018)

Country	Indonesia				
Commodity	Cotton, HS Code 5201				
Time Period	Aug-Jul	Units:		Units:	MT
Exports for:	2015/16		2016/17		2017/18
U.S.	0	U.S.	0	U.S.	0
Others		Others		Others	
Vietnam	1343	Taiwan	335	Malaysia	3948
Sri Lanka	498	Vietnam	279	Thailand	467
Malaysia	417	Hong Kong	217	India	269
Taiwan	299	Sri Lanka	202	Italy	240
India	292	Malaysia	202	Poland	120
China	98	Greece	113	Taiwan	96
Hong Kong	40	Japan	56	Bangladesh	90
Japan	35	Bangladesh	53	Japan	19
		India	50		
		China	41		
Total for Others	3022		1548		5249
Others not Listed	21		32		7
Grand Total	3043		1580		5256

Source: Global Trade Atlas.

TABLE 4. COTTON IMPORT TRADE MATRIX (MY 2015 – 2018)

Country	Indonesia				
Commodity	Cotton				
Time Period	Aug - Jul	Units:	1,000 MT	Units:	1,000 MT
Imports for:	2015/16	Imports for:	2016/17	Imports for:	2017/18

U.S. Others	150	U.S. Others	304	U.S. Others	350
Brazil	165	Brazil	124	Brazil	185
Australia	60	Australia	72	India	62
India	52	India	67	Greece	16
Cote d'Ivoire	29	Greece	36	Pakistan	14
Benin	24	Argentina	16	Cote d'Ivoire	14
Burkina Faso	22	Cote d'Ivoire	15	Spain	6
Greece	19	Burkina Faso	13	Cameroon	4
Mali	19	Mali	13	Togo	4
Malaysia	12	Cameroon	10	Mexico	4
Zambia	12	Benin	7	China	4
Pakistan	11	Turkey	6	Burkina Faso	3
Argentina	11	Pakistan	5	Paraguay	3
Zimbabwe	9	Spain	5	Mozambique	3
Togo	9	Uganda	4	South Africa	3
Mexico	7	Zambia	4	Ethiopia	3
South Africa	7	Mexico	4		
Spain	5	Togo	3		
Total for Others	473	Total for Others	404	Total for Others	328
Others not Listed	18	Others not Listed	31	Others not Listed	22
Grand Total	641	Grand Total	739	Grand Total	700

Source: Global Trade Atlas.

TABLE 5. COTTON YARN EXPORT TRADE MATRIX (CY 2016 – 2018)

Country	Indonesia					
Commodity	Yarn					
Time Period	Jan-Dec	Units:	1,000 MT	Units:	1,000 MT	
Exports for:	2016		2017		2018*	
U.S.	2		1			
Others		Others		Others		

China	102	China	130	China	39
Japan	21	Japan	18	Japan	6
South Korea	11	South Korea	7	South Korea	6
Bangladesh	10	Bangladesh	7	Bangladesh	5
Hong Kong	4	Hong Kong	2	Columbia	1
South Africa	1	Portugal	1	Malaysia	1
Vietnam	1	Vietnam	1		
Philippines	1	Germany	1		
		South Africa	1		
		Philippines	1		
Total for Others	151	Total for Others	169	Total for Others	58
Others not Listed	10	Others not Listed	8	Others not Listed	4
Grand Total	163	Grand Total	178	Grand Total	62

Source: Global Trade Atlas.

Note: * Only for the period of Jan-Sep 2018.

TABLE 6. COTTON YARN IMPORT TRADE MATRIX (CY 2016 – 2018)

Country	Indonesia		Units:	1,000 MT		Units:	1,000 MT	
	Commodity	Yarn						
Time Period		Jan-Dec	U.S.	2016	2017	U.S.	2018*	U.S.
Exports for:								
U.S.		0	U.S.		0	U.S.		0
Others			Others			Others		
India		10	India		5	India		7
China		3	China		3	China		1

Hong Kong	1	South Korea	3	South Korea	1
Costa Rica	1			Hong Kong	1

Total for Others	15	Total for Others	11	Total for Others	10
Others not Listed	3	Others not Listed	2	Others not Listed	2
Grand Total	18	Grand Total	13	Grand Total	12

Source: Global Trade Atlas.

Note: * Only for the period of Jan-Sep 2018.